

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE

C O N F I D E N T I A L STATE 015861

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ, US

SUBJECT: FINANCIAL NEGOTIATIONS

REF: PRAGUE 70, 71, 103

1. CZECHOSLOVAK PROPOSAL THAT ANNUAL CLAIMS INSTALLMENT PAYMENTS FOLLOWING INITIAL ONE BE MADE ONLY IF CZECHOSLOVAKIA RECEIVES MFN IS UNACCEPTABLE. INTRODUCTION OF SUCH EXPLICIT AND ESSENTIALLY EXTRANEIOUS CONDITION WHOSE CHANCES OF FULFILLMENT ARE UNCLEAR AT THIS TIME AND OVER WHICH ADMINISTRATION HAS ONLY LIMITED CONTROL WOULD DISMAY CLAIMANTS. IT MIGHT ALSO COMPLICATE EFFORTS AT PRESENT TIME TO ACHIEVE PASSAGE IN CONGRESS OF TRADE BILL WHICH WOULD INCLUDE SATISFACTORY PROVISION ON GRANTING OF MFN TO COMMUNIST COUNTRIES.

2. IN VIEW OF FOREGOING, WE WOULD PREFER THAT YOU CONTINUE TO TAKE ESSENTIALLY SAME LINE WITH ZANTOVSKY THAT YOU HAVE TAKEN BEFORE (PRAGUE 71 PARA 3). IN NOTING UNACCEPTABILITY
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OF CZECH DRAFT ON MFN, YOU CAN INFORMALLY MENTION CON-

SIDERATIONS POINTED OUT PARA 1 ABOVE. IF ZANTOVSKY PRESSES FOR OUR VIEWS ON HUNGARIAN VERSION, YOU SHOULD NOTE IN PASSING THAT INTRODUCTION OF TRADE BILL HAS CHANGED SITUATION SINCE HUNGARIAN CLAIMS AGREEMENT SIGNED. THE HOUSE HAS PASSED THE TRADE BILL, INCLUDING AUTHORITY TO GRANT MFN TO COMMUNIST COUNTRIES BUT HAS TIED THAT AUTHORITY TO EMIGRATION POLICIES. WE HOPE TO BE ABLE TO WORK OUT A SATISFACTORY COMPROMISE IN THE SENATE. LINKAGE OF PAYMENTS OF CLAIMS WITH EXTENSION OF MFN IN US-CZECH AGREEMENT AT THIS TIME COULD COMPLICATE OUR EFFORTS TO WORK OUT SUCH A COMPROMISE. WE THUS BELIEVE BOTH SIDES SHOULD FOCUS NOW ON RESOLVING CENTRAL ISSUES OF LUMP SUM PAYMENT AND SURPLUS PROPERTY DEBT. IN THIS REGARD, YOU MAY WISH TO NOTE THAT HUNGARIAN LANGUAGE WAS WORKED OUT AFTER CLAIMS AGREEMENT NEGOTIATED AND INITIALLED AND, IN FACT, ACCEPTED JUST PRIOR TO SIGNATURE SIX MONTHS LATER.

3. COMMENTS ON CZECHOSLOVAK PROPOSALS CONCERNING TRANSFER OF GOLD FOLLOWING SEPTEL. KISSINGER

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